



## The City of San Diego

### Staff Report

DATE ISSUED: 10/21/2020

TO: City Council

FROM: Council District 6

SUBJECT: Temporary Moratorium on Rent Increases for City Lessees Amid the COVID-19 Pandemic

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Council District(s): Citywide

#### OVERVIEW:

A temporary moratorium on rent increases for City lessees who can demonstrate financial impacts due to the COVID-19 pandemic.

#### PROPOSED ACTIONS:

Request that City staff, the Office of the City Attorney, and the Office of the Independent Budget Analyst work with Council District 6 to complete financial and legal analyses and come back to the Economic Development & Intergovernmental Relations Committee or full council within 45 days with the findings.

#### DISCUSSION OF ITEM:

The COVID-19 pandemic has devastated the local economy, and as such, negatively impacted families, individuals, non-profit organizations, and businesses in unimaginable ways. Many sources of income for these groups have been severely lessened or simply no longer exist due to governmental responses to the pandemic. As such, City lessees deserve relief. The City has a wide variety of types of organizations it leases land to, including senior centers, childcare facilities, museums, community centers, youth development centers, non-profit organizations, learning institutions, cultural centers, hotels, office space, community gardens, veterans' centers, golf courses, transitional housing, medical clinics and behavioral health centers, and many more. The City, in its authority as a landlord to various businesses and organizations, should not raise rent on its tenants during the COVID-19 pandemic.

A temporary moratorium on rent increases for City lessees who can demonstrate financial impacts due to the COVID-19 pandemic should include the following actions:

- The City shall not raise fixed or minimum rent on any City lessee that demonstrates financial impacts of COVID-19.
- "Financial impacts" means a substantial decrease in income for a lessee, due to closure or operational limitations, or substantial out of pocket expense for compliance with public health protocols. A financial impact is "related to COVID-19" if it is caused by the COVID-19 pandemic or any governmental response to the COVID-19 pandemic, including complying with any public

health orders or recommended guidance related to COVID-19 from local, state, or federal governmental authorities.

- Within 10 business days of the City providing the lessee with written notice of scheduled fixed or minimum rent increase, the lessee shall provide the City with documentation or objectively verifiable information that it has been financially impacted by COVID-19. If the lessee does not provide evidence of financial impacts related to COVID-19 within this time frame, the City may proceed with the rent increase according to schedule.
- This moratorium shall be in effect and cover scheduled fixed or minimum rent increases between January 1, 2020 and December 31, 2021. Lessees whose fixed or minimum rent was increased in 2020 prior to the adoption of this ordinance and were financially impacted by COVID-19 shall be credited for overpayment of any increased fixed or minimum rent paid over the prior lease rate.
- Lessees will continue to be subject to all other requirements of their rental contract or lease agreement including adjustment of fixed or minimum rent at the next regularly scheduled increase occurring after December 31, 2021.

Lessees that are eligible must provide documentation or other objectively verifiable proof of loss of income and expenses, including one or more of the following:

- Copies of business records
- Bank statements that illustrate a drop in income
- Other documentation that proves the lessee has not been generating the same level of income due to COVID-19
- Compliance with any federal, state, or local COVID-19 mandate precluding the lessee from earning their normal income
- Substantial out of pocket expenses resulting from government response to the outbreak or compliance with local, state, or federal guidance

Fiscal Considerations:

Direct fiscal impacts to the City will be evaluated by staff as directed by the proposed actions.

Charter Section 225 Disclosure of Business Interests:

N/A; there is no contract associated with this action.

City Strategic Plan Goal(s)/Objective(s):

Goal 3: Create and sustain a resilient and economically prosperous City with opportunity in every community.

Environmental Impact:

N/A

Equal Opportunity Contracting Information (if applicable):

N/A

Previous Council and/or Committee Actions:

N/A

Key Stakeholders and Community Outreach Efforts:

City of San Diego lessees.

James Hauser

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Chief of Staff